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Jubilee Life Insurance (JLICL): Major player in capital market

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JLICL ~ Fund size increasing for investments...

- We initiate our coverage on Jubilee Life Insurance (JLICL). The life insurance company's statutory fund has jumped to Rs106bn with an uptick of 14.8% in CY17 as against Rs93bn reported in CY16. This movement in statutory funds is merely an indication of consistent increase in policy holders liabilities during CY17. During 1QCY18 statutory funds reached Rs115bn.
- JLICL has posted a net premium revenue of Rs12.5bn in 1QCY18 with total net income of 18.4bn albeit an EPS of Rs8.21/sh.
- The company is managing four funds with fund size of ~Rs104bn with an investment of 46% in stocks & mutual fund and the rest in Sukuks, government securities, TFCs and Cash etc (as per FMR annexed report).
- One of the Managed Fund of JLICL with a size of Rs75.5bn had shown a negative return of 2.25% for 12 months given slump in equity markets that plummeted from 52k points to 38k at penultimate CY17. However return of the fund in reported 1QCY18 have been 4.79% which is one of the best in the industry at a time when market remained depressed.
- Going forward we see positives may return to capital markets given elevation of new government post elections 2018 that is invariably bringing new hope on the economic landscape of the country.

(Amount in Rs bn)	Size of Fund	investment in Equity
MANAGED FUND	75.50	37.14%
CAPITAL GROWTH FUND	17.87	87.76%
MEESAQ FUND	9.05	46.74%
YAQEEEN GROWTH FUND	1.76	11.56%
Total Fund	104.18	46%

REP-033 www.jamapunji.pk	JLICL
Ticker Price	640
52 Week's Range	
Rs. 610.00	Rs. 812.00
	
Beta	1.45
Market Cap (PKR)	50.77bn
CY17 Cash Dividend	Rs.17.5/sh
Source: SCS Research	

References:

jubileelife.com/wp-content/uploads/2016/02/FMR-Jubilee-Life-Report-March-2018.pdf
<https://www.psx.com.pk/newsattachment/110063.pdf>

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Policyholders' liabilities (Figures in bn)	CY16	CY17
Balance at beginning of the year	60.29	90.38
Increase during the year	30.08	12.84
Balance at end of the year	90.38	103.22

1QCY18 premium written is showing growth...

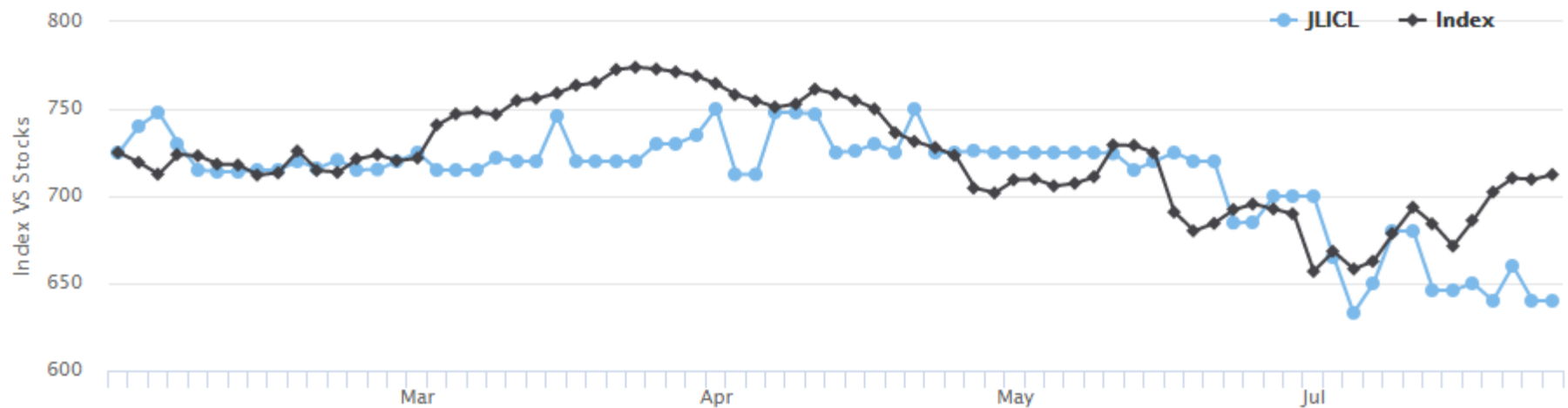
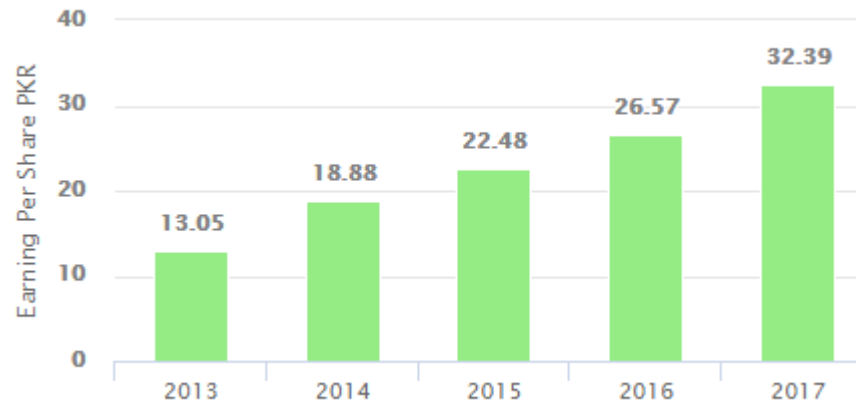
- The life insurer witnessed growth of 24% in premium written i.e. Rs47.11bn in CY17. During 1QCY18 alone premium written reached Rs12.5bn. Major contribution in premium written emanates from individual life unit linked and individual Family Takaful business. Concurrently major expenses include Rs10.9bn in 1QCY18 out of total expenses of Rs13.5bn (as mentioned below). We see investment income is also increasing.
- JLICL earnings remain stable i.e. Rs8.2/sh reported in 1QCY18.

Condensed Interim Profit and Loss Account (Un-audited)

For the Quarter ended March 31, 2018

Notes	For the Quarter Ended	
	March 31, 2018 (Un-audited)	March 31, 2017 (Restated)
	----- (Rupees in '000) -----	
Premium revenue	12,515,047	10,941,224
Premium ceded to reinsurers	(455,367)	(481,742)
Net premium revenue	12,059,680	10,459,482
Fee income	13,664	13,949
Investment income	1,688,323	1,408,260
Net realised fair value gains on financial assets	243,759	206,498
Net fair value gains on financial assets at fair value through profit or loss	4,443,176	684,829
Other (loss) / income	(1,353)	835
	6,387,569	2,314,371
Net income	18,447,249	12,773,853
Insurance benefits	4,319,615	3,655,659
Recoveries from reinsurers	(235,528)	(235,872)
Claims related expenses	1,673	1,192
Net Insurance Benefits	4,085,760	3,420,979
Net change in insurance liabilities (other than outstanding claims)	10,488,437	5,855,073
Acquisition expenses	2,068,896	1,892,765
Marketing and administration expenses	856,550	691,141
Other expenses	1,824	4,993
Total Expenses	13,415,707	8,443,972
Realized loss on derivative financial instruments	(3,958)	-
Unrealized gain on derivative financial instruments	16,337	-
	12,379	-
Results of operating activities	958,161	908,902
Share of profit of associates	2,736	1,938
Profit before tax for the period	960,897	910,840
Taxation	(309,520)	(266,982)
Profit after tax for the period	651,377	643,858
Earnings (after tax) per share - Rupees (restated)	8.21	8.12

Annexures...EPS and relative index vs KSE100



Annexures...Research view

Premium Vertical Analysis					
(Amount in Rs bn)	CY16	% of Gross Premium	CY17	% of Gross Premium	YoY
Gross Premium	38.00	100%	47.12	100%	24%
Individual Life Unit Linked	31.69	83%	34.91	74%	10%
Individual Family Takaful	2.14	6%	6.79	14%	217%
Accident & Health Business	2.41	6%	3.31	7%	37%
Others	1.76	5%	2.10	4%	19%

Expenses Vertical Analysis				
(Amount in Rs bn)	CY16	% of Expenses	CY17	% of Expenses
Expenses	9.07	100%	10.89	100%
Commissions	4.93	54%	5.30	49%
Commission on first year premiums	4.46	49%	4.25	39%
Commission on second year premiums	0.36	4%	0.31	3%
Commission on subsequent renewal premiums	0.36	4%	0.30	3%
Commission on single premiums	0.11	1%	0.67	6%

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 - *(Target Price, if any/Current Price - 1) > 10% Positive*
 - *(Target Price, if any/Current Price - 1) < -10% Negative*
 - *less than 10% (Target Price, if any/Current Price -1) Hold*
- *The time duration is the financial reporting period of Subject Company.*

Valuation method

Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

Discounted Cash flows or Dividend Discount Model or Enterprise Value